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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of

FCC No. 95-281

Amendment of the Commission's)
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

CC Docket No. 95-115

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Consumer Action's Reply Comments on the
Notice of Proposed Rulemaking

Consumer Action (CA) welcomes the opportunity to file its Reply Comments in 95-115.

As we noted in our Opening Comments, CA is a non-profit membership organization that focuses on the telecommunications needs of low income and limited-English-speaking consumers. Each year we distribute more than one million copies of free educational materials, in five languages, through a national network of 2,200 community groups and social service agencies.

Our work with the agencies that distribute our materials has helped us develop our perspective on universal telephone service. CA believes that it is extremely important that the insights of community-based organizations (CBOs) that work with low income consumers on a regular basis be heard in this proceeding. Unfortunately, most CBOs lack the staff to formally take part in Commission proceedings on their own.

CA contacted the CBOs it works with to inform them about this proceeding and to encourage them to participate. Fifty-eight (58) groups and individuals responded in support of the following points that we made in our Opening

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Comments:

- Local service should not be shut off for failure to pay long distance charges.
- Low-cost toll restriction programs should be offered as an option for new and existing customers. This voluntary service would block expensive long distance calls, while allowing the customer full local service.

- People who have had their service shut off for nonpayment—or who face such a threat—should be allowed to sign up for a toll restriction plan in which they can make local phone calls while they are paying off their outstanding balances.

Reconnection deposits should be waived for these customers.

- An assistance program similar to the Lifeline subsidy for low-income subscribers should be set in place for the working poor.

- Since many low income people tend to move a lot, Lifeline discounts on phone installation should be available every time a household relocates and not limited to once a year.

- Educational grants should be available to community and consumer groups to let people know about low income assistance programs and to teach them how to control phone costs.

A total of 58 groups and individuals from around the country have indicated their support for these main points. (A full list of these groups and individuals is provided in an attached appendix.)

CA urges the Commission to give strong weight to the recommendations of these 58 groups and individuals. While they will not be formally participating on their own in this proceeding, we believe their insights and support for these points are crucial. These groups work on a day-to-day basis with the low income consumers who would benefit if the Commission adopts these recommendations.

While we generally support the FCC recommendations in this Proposed Rulemaking, there are several areas in which we think the recommendations can be improved. In addition, CA makes several suggestions of its own that we urge the

FCC to consider.

SPECIFIC COMMENTS

In this section, CA will respond to specific points set forth by various parties in their Opening Comments in this proposed Rulemaking. Our comments are as follows:

- MCI

PP. 3-5—MCI is incorrect in its belief that what is needed to increase telephone penetration is the development of new products and services that will attract nonsubscribers. Consumers who do not have telephone service lack information on low cost service, find existing services to be too expensive or are barred from subscribing because of past payment problems.

Nor will competition lead to increased use of telecommunications products and services by these consumers. Rather, it is likely that as competition heats up for heavy phone users, climbing monthly rates will keep even more consumers from subscribing. CA has already seen competition result in higher per-minute rates for consumers who are not part of a discount plan.

P. 6—CA supports MCI's statement that the Commission "should ensure that the public is educated about the existence of federal assistance programs" and urges the Commission to adopt the recommendations on this point made by CA in its Opening Comments.

- BellSouth

P. 3—Statistics are quoted to indicate that nonpayment disconnects are not a problem. However, when you only quote monthly figures you significantly understate the magnitude of the problem. For example, BellSouth states that only 2% of all accounts are denied each month for nonpayment; and, that only one-fourth of these are disconnected. However, over the course of a year these figures

would translate into 6% being disconnected for nonpayment; over a year or two would represent a sizable number of consumers who would have difficulty getting connected again.

Further, the issue is not the ability to disconnect for nonpayment of local service but for interstate long distance. CA believes that if it was not possible to disconnect a subscriber because of overdue long distance charges, this would provide a powerful incentive for toll restriction plans and better education on how to control your phone bill.

P.6—BellSouth speaks of its toll restriction plans. It is unclear if this contains the features in the proposed Pacific Bell plans that would serve to decrease uncollectables. Under these plans, consumers can get local service reconnected if they agree to pay off the outstanding balance within six months. CA believes that this provides consumers with the incentive that is needed to pay off the outstanding debt. Consumers who are unable to make any phone calls at all until their debts are paid will find other means to make calls and their debts will end up being written off.

- GTE

P. iii—GTE mentions studies that conclude that “many of the poor” would rather have cable television instead of phone service, without providing any citations. While this may be true for a few consumers, it contradicts the results of the study that GTE cites elsewhere in its comments.

Nor is it true that reasons for not subscribing to telephone service arise from considerations outside of the telephone network. In fact, the primary reasons are not being able to afford telephone service or not being able to pay off outstanding telephone bills in order to reconnect.

P. iv—GTE states that the Commission should beware of costly programs that might only benefit two people out of a hundred. The issue is not to raise the

penetration rate of the population as a whole, which could be very costly, but to make inroads in reversing the low penetration rates of specific target populations.

P. 4—GTE is correct in pointing out that there are other factors besides long distance charges that result in low subscribership. What GTE fails to point out is that high unpaid long distance bills are perhaps the major problem and one that can be addressed easily.

P. 11—GTE raises a legitimate point. CA believes that any company providing local phone service should develop and offer a toll blocking service and be prevented from shutting off local service because of nonpayment of tolls.

PP. 41-43—CA agrees with GTE that educational programs should not be the sole responsibility of the local exchange carrier. As CA noted in its Opening Comments, we believe that independent educational efforts should be supported through a Commission program underwritten by a surcharge on all interstate telephone calls. Such a program has been very successful in California.

P. 44—GTE is incorrect in its statement that low income consumers are not likely to purchase high margin discretionary services. As the study cited elsewhere by GTE pointed out, Lifeline customers were at least as likely to purchase optional services as the rest of the population.

PP. 47, 48—GTE indicates that there is great potential for widespread fraud if a Lifeline program does not have a verification requirement. CPUC-ordered studies in California did not find this to be the case. In fact, the study concluded that Lifeline fraud was not a problem in California, despite self-certification.

- Sprint

P. 5—The point is not that consumers are unable to control their own long distance usage, but rather that they are not given the tools to do so. None of the long distance carriers provide their customers with detailed rate information on a regular basis. Instead, consumers are hit with ads that make it appear that domestic

and international calls are extremely cheap. The exclusions are easily missed as they flash by in fine print at the bottom of the page. It is not until after the bill arrives that the consumer learns what the cost of the calls really was.

To control their long distance bills, consumers need detailed rate information and toll restriction plans when their particular situations dictate the need for such plans.

P. 12—CA agrees that a toll blocking service that would apply to all toll calls would be far better than one that only applied to interstate and international calls. However, in the context of this proceeding, CA believes that there would be value in mandating a service to protect consumers from interstate and international calls, which tend to be far more expensive than intrastate calls. However, CA hopes that the FCC and the state commissions can work together to set up a comprehensive toll restriction service.

- AT&T

P. 10—Despite what AT&T says, new rules are needed to adjust deposits for consumers who sign up for toll restriction. New rules are needed to ensure that consumers are treated in a standardized fashion. This will be especially important when competition brings additional local phone service providers, to ensure that deposit policies are not used as a form of redlining by companies that only wish to provide service to “favored” customers.

P. 11—The competitive marketplace will continue to reward consumers who make a high volume of toll calls. For people who do not make many toll calls, competition will continue to increase their total phone bill as their monthly service charges rise and they pay higher per-minute rates. The so-called “safety net” that AT&T has put in place doesn’t provide true benefits for low income consumers. If anything it will result in higher costs because of confusion.

- Bell Atlantic

PP. 6, 7—CA agrees that targeted educational efforts are needed, but believes that they need to be mandated in order to ensure that all potentially eligible consumers have an equal opportunity to benefit from low income assistance programs.

- Pacific Bell

P. v—CA supports the recommendation that unlimited Link Up installations be permitted to ensure that the highly mobile low income households derive benefits from the program.

P. 14—CA does not have an objection to limiting toll restriction to residential service.

P. 22—CA supports the toll restriction plans that have been proposed by Pacific Bell and urges that these serve as the model for any national program mandated by the Commission.

P. 24—CA supports Quick Dial Tone and Limited Disconnection and urges that the Commission recommend that other local exchange carriers set up similar services.

CA is concerned that so few parties commented on the educational recommendations set forth by the Commission. As a consequence, we would like to restate our recommendations. CA believes that the scope of any educational efforts should be broad. Consumers need to have information on:

- Low income assistance programs as well as other monthly service plans.
- Enhanced service offers and how to decide if they will be of value. In California, studies have shown that low income consumers are far more likely to sign up for enhanced services—which can result in unmanageable telephone bills.
- Toll restriction plans.
- Long distance rates for domestic and international calls.

- How to control telephone costs in general.

CA urges the FCC to use the CPUC Telecommunications Education Trust (TET) model for its educational program. Under TET, the Commission awarded more than \$20 million in educational grants to consumer and community groups and social service agencies over a five-year period. The program was highly successful and resulted in the creation and distribution of a wide range of materials in a number of languages and formats. CA, as the Repository of these materials, continues free distribution in bulk through our statewide network of some 1,700 CBOs and social service agencies.

We strongly oppose relying on local or long distance companies to conduct such educational efforts. Education needs to be conducted by entities that are not at the same time battling for telephone customers.

Telephone companies should be expected to educate their existing and potential customers as to their rates and services. But this alone is not enough. Telephone companies tend to shape their “educational efforts” to promote their own offerings at the expense of those offered by other companies. Nor can they be expected to educate consumers about what to look for in calling plans—especially if it might result in potential customers signing up with a competitor.

As noted above, CA believes that the educational effort must involve independent, non-commercial entities—such as government and social service agencies and consumer and community groups—that do not have a stake in which company the potential customer chooses. Consumers need unbiased information in order to make intelligent decisions about starting telephone service and using of the phone.

With funding, such groups can create materials that serve the needs of their community and deliver those materials to the consumers who most need the information. Advertising agencies could work with consumer and community groups to enlist radio, television and print media outlets into the educational effort.

CA believes that the FCC should take steps to create a national fund that would award telephone educational grants to public and private groups. Such an effort could be funded through a small surcharge on interstate telephone calls. (For example, CA supported legislation in California that would have generated \$3 million to \$5 million a year through a surcharge that would have added only a penny to a \$50 phone bill.)

We would recommend that the FCC set a surcharge at a level that would support \$25 million in educational grants. CA would suggest that the FCC use the California TET program as a model for its own program.

Consumer Action endorses the steps taken by the FCC in this Rulemaking and urges their adoption along with the suggested changes we have outlined in this brief. In addition, we urge the Commission to give great weight to the recommendations of the 58 individuals and community groups that are set forth in our Reply Comments.

Submitted by:

Ken McEldowney
Executive Director
Consumer Action
116 New Montgomery St., Suite 233
San Francisco, CA 94105

(415) 777-9648

Oct. 25, 1995

Appendix

The following agencies and individuals have supplied Consumer Action with their written support of Consumer Action's Reply Comments on the FCC Notice of Proposed Rulemaking in the Amendment of the Commission's Rules and Policies to Increase Subscription and Usage of the Public Switched Network. (FCC No. 95-281/CC Docket No. 95-115)

Alaska Public Interest Research Group, Anchorage, AK
American Council on Consumer Awareness Inc., Minneapolis, MN
American Relief Society of Western USA Inc., Glendale, CA
Arizona Consumers Council, Phoenix, AZ
Asian American Resource Workshop, Roxbury, MA
Banks, Cheryl G., WSU Cooperative Extension, Seattle, WA
Behrens, Margaret, Sioux City, IA
Block, Linda, Tucson, AZ
California Homeless and Housing Coalition, Sacramento, CA
California/Nevada Community Action Association, Sacramento, CA
Career Resources Development Center, San Francisco, CA
Center for Immigrant & Refugee Rights & Services, San Francisco, CA
Center for Public Interest Research, Lansing, MI
Center for Public Representation, Madison, WI
Chicano Federation, San Diego, CA
Chinatown Cultural Services Center, N.Y.C., NY
Citizens Advice Bureau, Bronx, NY
Cleveland Consumer Action, East Cleveland, OH
Colorado AIDS Project, Denver, CO
Colorado Refugee Network Council, Denver, CO
Community Education Services, San Francisco, CA
Consumer Fraud Watch, Tallahassee, FL
Crawford, Charlotte, Mt. Vernon, IL
Economic and Employment Development Center, Los Angeles, CA
El Rescate, Los Angeles, CA
Empire State Consumer Association, Rochester, NY
Fairfield-Suisun Community Action Council, Suisun, CA

Family Focus, Evanston, IL
Florida Consumer Action Network, Tampa, FL
Garza, Alvano, Emeryville, CA
Independent Living Resource Center, San Francisco, CA
Instituto del Progreso Latino, Chicago, IL
K.J. Head Start, N.Y.C., NY
La Casa de las Madres, San Francisco, CA
Los Angeles Center for Law & Justice, Los Angeles, CA
MAAC Project, National City, CA
Massachusetts Consumer Association, Boston
Massachusetts Homebuyer's Club, Cambridge
McGuire, Doug, Diamond Bar, CA
Merced Lao Family Community Inc., Merced, CA
Michigan Consumer Federation, Lansing, MI
National Federation of the Blind of California, Pleasanton, CA
Pennsylvania Citizens Consumer Council, Harrisburg
Peterson, Dana, San Francisco, CA
Puerto Rico Federal Affairs Administration, N.Y.C., NY
Rice, Florence M., Harlem Consumer Education Council, N.Y.C., NY
Riley, Stephanie, Sacramento, CA
Sierra Oaks Seniors, Tollhouse, CA
Special Services for Groups/Parents Neighborhood Youth Program, L.A., CA
The Decennium Group, San Francisco, CA
The Korean American Association of New York, N.Y.C., NY
UCAN, San Diego, CA
University of California Cooperative Extension, Pleasant Hill, CA
Vang, Peter C., Merced, CA
Vietnamese Chamber of Commerce of Santa Clara Valley, San Jose, CA
Wah Mei School, San Francisco, CA
Wisconsin Consumers League, Milwaukee, WI
Yolo Unite Inc, Davis, CA